

AMENDED IN ASSEMBLY APRIL 14, 2016

AMENDED IN ASSEMBLY APRIL 7, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 2729

Introduced by Assembly Members Williams and Thurmond

February 19, 2016

An act to amend Sections 3008, 3208.1, and 3238 of, to amend, repeal, and add Sections 3202, 3204, 3205, 3206, 3207, and 3208 of, ~~and to add Section 3016 to, and to add and repeal Section 3206.1 of,~~ the Public Resources Code, relating to oil and gas, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 2729, as amended, Williams. Oil and gas: operations.

(1) Under existing law, the Division of Oil, Gas, and Geothermal Resources in the Department of Conservation regulates the drilling, operation, maintenance, and abandonment of oil and gas wells in the state. Existing law requires the State Oil and Gas Supervisor to supervise the drilling, operation, maintenance, and abandonment of wells and the operation, maintenance, and removal or abandonment of tanks and facilities related to oil and gas production within an oil and gas field, so as to prevent damage to life, health, property, and natural resources, as provided; to permit owners and operators of wells to utilize all known methods and practices to increase the ultimate recovery of hydrocarbons; and to perform the supervisor's duties in a manner that encourages the wise development of oil and gas resources to best meet oil and gas needs in this state. Existing law defines, among other things, "active observation well," "idle well," and "long-term idle well" for the purposes

of these provisions. Existing law provides that an active observation well is not an idle well.

This bill would limit the definition of “active observation well,” and would expand the definitions of “idle well” and “long-term idle well” by no longer excluding active observation wells from their definitions. The bill would provide that the abandoned underground personal property of an operator becomes the property of the mineral interest owner.

(2) Existing law establishes the Hazardous and Idle-Deserted Well Abatement Fund in the State Treasury. Existing law directs fee moneys collected from operators of idle wells to be deposited in the fund. The moneys in the fund are continuously appropriated to the department for expenditure without regard to fiscal year, to mitigate a hazardous or potentially hazardous condition by well plugging and abandonment.

This bill would instead provide that the moneys in the fund are continuously appropriated to the department for expenditure without regard to fiscal year to mitigate a hazardous or potentially hazardous condition, by well plugging and abandonment, decommissioning attendant production facilities, or both, at a well of a fee-paying operator. Because the bill would provide for the deposit of additional moneys in a continuously appropriated fund by expanding the definition of an “idle well,” described above, and would change the purposes for which moneys in a continuously appropriated fund may be used, it would make an appropriation.

(3) Existing law provides that a well is properly abandoned when it has been shown, to the satisfaction of the supervisor, that all proper steps have been taken to isolate all oil-bearing or gas-bearing strata encountered in the well, and to protect underground or surface water suitable for irrigation or farm or domestic purposes from the infiltration or addition of any detrimental substance and to prevent subsequent damage to life, health, property, and other resources.

This bill would provide that proper steps include the plugging of the well, decommissioning the attendant production facilities of the well, or both, if determined necessary by the supervisor.

(4) Existing law authorizes the supervisor or district deputy to order the reabandonment of any previously abandoned well if the supervisor or the district deputy has reason to question the integrity of the previous abandonment. Existing law prescribes the circumstances in which the operator responsible for plugging and abandoning a deserted well is not responsible for the reabandonment of the well. Under existing law,

a person who fails to comply with an order issued under these provisions and other requirements relating to the regulation of oil or gas operations is guilty of a misdemeanor.

This bill instead would authorize the supervisor or district deputy to order, or permit, the reabandonment of any previously abandoned well if the supervisor or the district deputy has reason to question the integrity of the previous abandonment, or if the well is not accessible or visible. The bill would revise the circumstances in which the operator responsible for plugging and abandoning a deserted well is not responsible for the reabandonment of the well, and would provide that being responsible for the reabandonment means that the responsible party or parties shall complete the reabandonment and be subject to certain requirements applicable to an operator of a well. Because a violation of an order issued under these provisions would be a crime, the bill would impose a state-mandated local program.

(5) Existing law authorizes the supervisor to order certain operations to be carried out on any property in the vicinity of which, or on which, is located any well that the supervisor determines to be either a hazardous or idle-deserted well, as specified.

This bill would authorize a party to plug and abandon a well that the supervisor has determined to be either a hazardous or idle-deserted well by obtaining all necessary rights to the well, and would require that party to be subject to certain requirements applicable to an operator of a well, file with the supervisor the appropriate bond or deposit, and complete the abandonment, as specified. Because a violation of an order issued under these provisions or of certain requirements related to the regulation of oil and gas would be a crime, the bill would impose a state-mandated local program.

(6) Existing law prescribes requirements related to acquiring the right to operate a well or production facility, filing with the supervisor an individual indemnity bond for each well drilled, redrilled, deepened, or permanently altered, filing with the supervisor a blanket indemnity bond in lieu of individual indemnity bonds, operators of idle wells not covered under certain indemnity bonds, and the cancellation of an individual or blanket indemnity bond. Existing law directs fee moneys collected from operators of idle wells to be deposited in the Hazardous and Idle-Deserted Well Abatement Fund, a continuously appropriated fund.

Commencing January 1, 2018, this bill would revise and recast these provisions to, among other things, increase the amounts of the required

individual and blanket indemnity bonds, require a person acquiring the right to operate a well or production facility to file a specified individual or blanket indemnity bond for each well, increase the fees required to be filed for each idle well if the operator does not file a plan with the supervisor to provide for the management and elimination of all its long-term idle wells, repeal the ability of an operator to provide an escrow account or indemnity bond for each idle well in lieu of paying a fee or filing a plan, and revise the conditions for the cancellation of an individual or blanket indemnity bond. Because the bill would provide for the deposit of additional moneys in a continuously appropriated fund by increasing the amount of fees required to be filed for each idle well, it would make an appropriation. Because a violation of an order issued under these provisions or of certain requirements related to the regulation of oil and gas would be a crime, the bill would impose a state-mandated local program.

~~This~~

(7) ~~This~~ bill would require the division, by June 1, 2018, to ~~review and evaluate~~, review, evaluate, and update as appropriate, its regulations pertaining to idle wells, as specified.

~~(7)~~

(8) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: yes. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 3008 of the Public Resources Code is
2 amended to read:
3 3008. (a) “Well” means any oil or gas well or well for the
4 discovery of oil or gas; any well on lands producing or reasonably
5 presumed to contain oil or gas; any well drilled for the purpose of
6 injecting fluids or gas for stimulating oil or gas recovery,
7 repressuring or pressure maintenance of oil or gas reservoirs, or
8 disposing of waste fluids from an oil or gas field; any well used
9 to inject or withdraw gas from an underground storage facility; or
10 any well drilled within or adjacent to an oil or gas pool for the

1 purpose of obtaining water to be used in production stimulation
2 or repressuring operations.

3 (b) "Prospect well" or "exploratory well" means any well drilled
4 to extend a field or explore a new, potentially productive reservoir.

5 (c) "Active observation well" means a well being used for the
6 sole purpose of gathering reservoir data, such as pressure or
7 temperature in a reservoir being currently produced or injected by
8 the operator, and the data is gathered and reported at least once
9 every month.

10 (d) "Idle well" means any well that has had six consecutive
11 months of not producing oil or natural gas or being used for
12 injection. An idle well continues to be an idle well until it has been
13 properly abandoned in accordance with Section 3208 or it has been
14 shown to the division's satisfaction that, since the well became an
15 idle well, the well has maintained production of oil or gas or been
16 used for injection for a continuous six-month period.

17 (e) "Long-term idle well" means any well that has been an idle
18 well for five or more years.

19 SEC. 2. Section 3016 is added to the Public Resources Code,
20 to read:

21 3016. For purposes of this chapter, abandoned underground
22 personal property of an operator shall become the property of the
23 mineral interest owner.

24 SEC. 3. Section 3202 of the Public Resources Code is amended
25 to read:

26 3202. (a) A person who acquires the right to operate a well or
27 production facility, whether by purchase, transfer, assignment,
28 conveyance, exchange, or other disposition, shall, as soon as it is
29 reasonably possible, but not later than the date when the acquisition
30 of the well or production facility becomes final, notify the
31 supervisor or the district deputy, in writing, of the person's
32 operation. The acquisition of a well or production facility shall not
33 be recognized as complete by the supervisor or the district deputy
34 until the new operator provides all of the following material:

35 (1) The name and address of the person from whom the well or
36 production facility was acquired.

37 (2) The name and location of the well or production facility,
38 and a description of the land upon which the well or production
39 facility is situated.

40 (3) The date when the acquisition becomes final.

1 (4) The date when possession was or will be acquired.

2 (5) An indemnity bond for each idle well. The bond shall be in
3 an amount as provided in Section 3204 or 3205. The conditions
4 of the bond shall be the same as the conditions stated in Section
5 3204. An operator that has provided an individual bond required
6 by this subdivision in an amount as provided in Section 3204 shall
7 not be required additionally to comply with the requirements of
8 Section 3206. An operator who has provided a blanket indemnity
9 bond in the minimum amount required in subdivision (a) or (b) of
10 Section 3205 shall additionally comply with Section 3206 for any
11 idle wells not covered by a bond provided under Section 3204.

12 (b) This section shall remain in effect only until January 1, 2018,
13 and as of that date is repealed, unless a later enacted statute, that
14 is enacted before January 1, 2018, deletes or extends that date.

15 SEC. 4. Section 3202 is added to the Public Resources Code,
16 to read:

17 3202. (a) A person who acquires the right to operate a well or
18 production facility, whether by purchase, transfer, assignment,
19 conveyance, exchange, or other disposition, shall, as soon as it is
20 reasonably possible, but not later than the date when the acquisition
21 of the well or production facility becomes final, notify the
22 supervisor or the district deputy, in writing, of the person's
23 operation. The acquisition of a well or production facility shall not
24 be recognized as complete by the supervisor or the district deputy
25 until the new operator provides all of the following material:

26 (1) The name and address of the person from whom the well or
27 production facility was acquired.

28 (2) The name and location of the well or production facility,
29 and a description of the land upon which the well or production
30 facility is situated.

31 (3) The date when the acquisition becomes final.

32 (4) The date when possession was or will be acquired.

33 (5) An indemnity bond for each well as required under Section
34 3204 or 3205.

35 (b) This section shall become operative on January 1, 2018.

36 SEC. 5. Section 3204 of the Public Resources Code is amended
37 to read:

38 3204. (a) An operator who, on or after January 1, 2014,
39 engages in the drilling, redrilling, deepening, or in any operation
40 permanently altering the casing, of a well shall file with the

1 supervisor an individual indemnity bond for each well so drilled,
2 redrilled, deepened, or permanently altered, in the following
3 amount:

4 (1) Twenty-five thousand dollars (\$25,000) for each well that
5 is less than 10,000 feet deep.

6 (2) Forty thousand dollars (\$40,000) for each well that is 10,000
7 or more feet deep.

8 (b) The bond shall be filed with the supervisor at the time of
9 the filing of the notice of intention to perform work on the well,
10 as provided in Section 3203. The bond shall be executed by the
11 operator, as principal, and by an authorized surety company, as
12 surety, on the condition that the principal named in the bond shall
13 faithfully comply with all the provisions of this chapter, in drilling,
14 redrilling, deepening, or permanently altering the casing in any
15 well or wells covered by the bond, and shall secure the state against
16 all losses, charges, and expenses incurred by it to obtain the
17 compliance by the principal named in the bond.

18 (c) The conditions of the bond shall be stated in substantially
19 the following language: "If the _____, the above bounden principal,
20 shall well and truly comply with all the provisions of Division 3
21 (commencing with Section 3000) of the Public Resources Code
22 and shall obey all lawful orders of the State Oil and Gas Supervisor
23 or the district deputy or deputies, subject to subsequent appeal as
24 provided in that division, and shall pay all charges, costs, and
25 expenses incurred by the supervisor or the district deputy or
26 deputies in respect of the well or wells or the property or properties
27 of the principal, or assessed against the well or wells or the property
28 or properties of the principal, in pursuance of the provisions of
29 that division, then this obligation shall be void; otherwise, it shall
30 remain in full force and effect."

31 (d) This section shall remain in effect only until January 1, 2018,
32 and as of that date is repealed, unless a later enacted statute, that
33 is enacted before January 1, 2018, deletes or extends that date.

34 SEC. 6. Section 3204 is added to the Public Resources Code,
35 to read:

36 3204. (a) An operator who, on or after January 1, 2018,
37 engages in the drilling, redrilling, deepening, or in any operation
38 permanently altering the casing, of a well, or who acquires a well,
39 shall file with the supervisor an individual indemnity bond for

1 each well so drilled, redrilled, deepened, or permanently altered,
2 or acquired in the following amount:

3 (1) ~~Fifty-Two-thousand~~ *Twenty-five* thousand dollars ~~(\$50,000)~~ *(\$25,000)* for
4 each well that is less than 10,000 feet deep.

5 (2) ~~Eighty-Four~~ *Forty* thousand dollars ~~(\$80,000)~~ *(\$40,000)* for each
6 well that is 10,000 or more feet deep.

7 (b) The bond shall be filed with the supervisor at the time of
8 the filing of the notice of intention to perform work on the well,
9 as provided in Section 3203, or at the time of acquisition of the
10 well, as provided in Section 3202. The bond shall be executed by
11 the operator, as principal, and by an authorized surety company,
12 as surety, on the condition that the principal named in the bond
13 shall faithfully comply with all the provisions of this chapter, in
14 drilling, redrilling, deepening, or permanently altering the casing
15 in any well or wells covered by the bond, and shall secure the state
16 against all losses, charges, and expenses incurred by it to obtain
17 the compliance by the principal named in the bond.

18 (c) The conditions of the bond shall be stated in substantially
19 the following language: “If the _____, the above bounden principal,
20 shall well and truly comply with all the provisions of Division 3
21 (commencing with Section 3000) of the Public Resources Code
22 and shall obey all lawful orders of the State Oil and Gas Supervisor
23 or the district deputy or deputies, subject to subsequent appeal as
24 provided in that division, and shall pay all charges, costs, and
25 expenses incurred by the supervisor or the district deputy or
26 deputies in respect of the well or wells or the property or properties
27 of the principal, or assessed against the well or wells or the property
28 or properties of the principal, in pursuance of the provisions of
29 that division, then this obligation shall be void; otherwise, it shall
30 remain in full force and effect.”

31 (d) This section shall become operative on January 1, 2018.

32 SEC. 7. Section 3205 of the Public Resources Code is amended
33 to read:

34 3205. (a) An operator who engages in the drilling, redrilling,
35 deepening, or in any operation permanently altering the casing, of
36 20 or more wells at any time, may file with the supervisor one
37 blanket indemnity bond to cover all the operations in any of its
38 wells in the state in lieu of an individual indemnity bond for each
39 operation as required by Section 3204. The bond shall be executed
40 by the operator, as principal, and by an authorized surety company,

1 as surety, and shall be in substantially the same language and upon
2 the same conditions as provided in Section 3204, except as to the
3 difference in the amount. The bond shall be provided in one of the
4 following amounts, as applicable:

5 (1) The sum of four hundred thousand dollars (\$400,000), which
6 does not include the bond or fee required in Section 3206.

7 (2) The sum of two hundred thousand dollars (\$200,000), which
8 does not include the bond or fee required in Section 3206, for any
9 operator having 50 or fewer wells in the state, exclusive of properly
10 abandoned wells.

11 (3) The sum of two million dollars (\$2,000,000), which does
12 include the bond or fee required in Section 3206.

13 (b) A blanket cash bond or blanket surety bond provided prior
14 to January 1, 2014, shall be increased to comply with this section
15 on or before January 1, 2016.

16 (c) This section shall remain in effect only until January 1, 2018,
17 and as of that date is repealed, unless a later enacted statute, that
18 is enacted before January 1, 2018, deletes or extends that date.

19 SEC. 8. Section 3205 is added to the Public Resources Code,
20 to read:

21 3205. (a) An operator who engages in the drilling, redrilling,
22 deepening, or in any operation permanently altering the casing, of
23 20 or more wells at any time, may file with the supervisor one
24 blanket indemnity bond to cover all the operations in any of its
25 wells in the state in lieu of an individual indemnity bond for each
26 operation as required by Section 3204. The bond shall be executed
27 by the operator, as principal, and by an authorized surety company,
28 as surety, and shall be in substantially the same language and upon
29 the same conditions as provided in Section 3204, except as to the
30 difference in the amount. The bond shall be provided in one of the
31 following amounts, as applicable:

32 (1) The sum of four hundred thousand dollars (\$400,000), for
33 an operator having 50 or fewer wells in the state, exclusive of
34 properly abandoned wells.

35 (2) The sum of two million dollars (\$2,000,000), for any
36 operator having more than 50 wells in the state, exclusive of
37 properly abandoned wells.

38 (b) A blanket cash bond or blanket surety bond provided prior
39 to January 1, 2018, shall be increased to comply with this section.

40 (c) This section shall become operative on January 1, 2018.

1 SEC. 9. Section 3206 of the Public Resources Code is amended
2 to read:

3 3206. (a) The operator of any idle well not covered by an
4 indemnity bond provided under Section 3204, paragraph (3) of
5 subdivision (a) of Section 3205, or subdivision (a) of Section
6 3205.2 shall do one of the following:

7 (1) File with the supervisor an annual fee for each idle well
8 equal to the sum of the following amounts:

9 (A) One hundred dollars (\$100) for each idle well that has been
10 idle for less than 10 years.

11 (B) Two hundred fifty dollars (\$250) for each idle well that has
12 been idle for 10 years or longer, but less than 15 years.

13 (C) Five hundred dollars (\$500) for each idle well that has been
14 idle for 15 years or longer.

15 (2) Provide an escrow account in a federally insured bank that
16 does business in, and has an office in, the State of California, by
17 depositing the amount of five thousand dollars (\$5,000) for each
18 idle well, in the following manner:

19 (A) The escrow account shall be accessible only by the
20 supervisor and the money shall be retained in the escrow account
21 exclusively for use by the supervisor for plugging and abandoning
22 the operator's idle wells that become deserted pursuant to Section
23 3237.

24 (B) The money in the escrow account may be released only by
25 the supervisor and only in amounts covering any idle well that has
26 properly been plugged and abandoned, returned to production or
27 injection or converted to an active observation well, if that money
28 remaining in the escrow account is sufficient to fully fund the
29 required deposits for all of the operator's remaining idle wells.

30 (C) The required deposit for each idle well shall be funded
31 completely within 10 years of the date the well becomes idle, or
32 10 years from January 1, 1999, for any well that is idle as of
33 January 1, 1999.

34 (D) The operator shall fund the escrow account at the rate of at
35 least five hundred dollars (\$500) per well per year.

36 (E) Failure of an operator in any year to provide the minimum
37 funding for any idle well shall result in the institution of the annual
38 fees required by paragraph (1) for that idle well, and all money
39 already on deposit for that idle well shall be treated as previously
40 paid annual fees and shall be deposited into the Hazardous and

1 Idle-Deserted Well Abatement Fund specified in subdivision (b)
2 for expenditure pursuant to that subdivision.

3 (3) File with the supervisor an indemnity bond that provides
4 the sum of five thousand dollars (\$5,000) for each idle well. The
5 bond shall be subject to the conditions provided in Section 3204.

6 (4) On or before July 1, 1999, file a plan with the supervisor to
7 provide for the management and elimination of all long-term idle
8 wells not covered under paragraph (1), (2), or (3).

9 (A) For the purposes of the plan required by this paragraph,
10 elimination of an idle well shall be accomplished when the well
11 meets the requirements of Section 3208.

12 (B) A plan filed pursuant to this paragraph shall meet all of the
13 following requirements and conditions:

14 (i) The plan shall cover a time period of no more than 10 years
15 and may be renewed annually thereafter, subject to approval by
16 the supervisor.

17 (ii) The plan shall be reviewed for performance annually by the
18 supervisor, and be subject to amendment with the approval of the
19 supervisor.

20 (iii) The required rate of long-term idle well elimination shall
21 be based upon the number of idle wells under the control of an
22 operator on January 1 of each year, as specified in clause (iv). The
23 supervisor may require additional well testing requirements as part
24 of the plan.

25 (iv) The plan shall require that operators with 10 or fewer idle
26 wells eliminate at least one long-term idle well every two years;
27 operators with 11 to 20, inclusive, idle wells eliminate at least one
28 long-term idle well each year; operators with 21 to 50, inclusive,
29 idle wells eliminate at least two long-term idle wells each year;
30 operators with 51 to 100, inclusive, idle wells eliminate at least
31 five long-term idle wells each year; operators with 101 to 250,
32 inclusive, idle wells eliminate at least 10 long-term wells each
33 year; and operators with more than 250 idle wells eliminate at least
34 4 percent of their long-term idle wells each year.

35 (v) An operator who complies with the plan is exempt from any
36 increased idle well bond or fee requirements.

37 (vi) An operator who fails to comply with the plan, as
38 determined by the supervisor after the annual performance review,
39 is not eligible to use the requirements of this paragraph, for
40 purposes of compliance with this section, for any of its idle wells.

1 That operator shall immediately provide one of the alternatives in
2 paragraph (1), (2), or (3) for its idle wells and may not propose a
3 new idle well plan for the next five years. An operator may appeal
4 to the director pursuant to Article 6 (commencing with Section
5 3350) regarding the supervisor's rejection of a plan and plan
6 amendments and the supervisor's determinations of the operator's
7 failure to comply with a plan.

8 (b) All fees received under this section shall be deposited in the
9 Hazardous and Idle-Deserted Well Abatement Fund, which is
10 hereby created in the State Treasury. Notwithstanding Section
11 13340 of the Government Code, the moneys in the Hazardous and
12 Idle-Deserted Well Abatement Fund are hereby continuously
13 appropriated to the department for expenditure without regard to
14 fiscal year, to mitigate a hazardous or potentially hazardous
15 condition, by well plugging and abandonment, decommissioning
16 the attendant production facilities, or both, at a well of an operator
17 subject to the requirements of this section.

18 (c) Failure to file, for any well, the bond or fee required under
19 this section shall be conclusive evidence of desertion of the well,
20 permitting the supervisor to order the well abandoned.

21 (d) Nothing in this section prohibits a local agency from
22 collecting a fee for regulation of wells.

23 (e) This section shall remain in effect only until January 1, 2018,
24 and as of that date is repealed, unless a later enacted statute, that
25 is enacted before January 1, 2018, deletes or extends that date.

26 SEC. 10. Section 3206 is added to the Public Resources Code,
27 to read:

28 3206. (a) The operator of any idle well shall do either of the
29 following:

30 (1) No later than January 31 of each year, for each idle well that
31 was an idle well at any time in the last calendar year, file with the
32 supervisor an annual fee equal to the sum of the following amounts:

33 (A) Five hundred dollars (\$500) for each idle well that has been
34 idle for less than three years.

35 (B) Two thousand dollars (\$2,000) for each idle well that has
36 been idle for three years or longer, but less than five years.

37 (C) Five thousand dollars (\$5,000) for each idle well that has
38 been idle for five years or longer, but less than 10 years.

39 (D) Ten thousands dollars (\$10,000) for each idle well that has
40 been idle for 10 years or longer.

1 (2) File a plan with the supervisor to provide for the management
2 and elimination of all long-term idle wells.

3 (A) For the purposes of the plan required by this paragraph,
4 elimination of an idle well shall be accomplished when the well
5 has been properly abandoned in accordance with Section 3208, or
6 it has been shown to the division's satisfaction that, since the well
7 became an idle well, the well has maintained production of oil or
8 gas or been used for injection for a continuous six-month period.

9 (B) A plan filed pursuant to this paragraph shall meet all of the
10 following requirements and conditions:

11 (i) The plan shall cover a time period of no more than five years
12 and shall be subject to approval by the supervisor who may
13 prioritize the order in which idle wells are addressed.

14 (ii) The plan shall be reviewed for performance annually by the
15 supervisor, and be subject to amendment by the supervisor, or by
16 the operator with the approval of the supervisor.

17 (iii) The required rate of long-term idle well elimination shall
18 be based upon the number of idle wells under the control of an
19 operator on January 1 of each year, as specified in clause (iv). The
20 supervisor may require additional well testing requirements as part
21 of the plan.

22 (iv) Unless and until the operator has no long-term idle wells,
23 the plan shall require that operators with 10 or fewer idle wells
24 eliminate at least three long-term idle wells each year; operators
25 with 11 to 20, inclusive, idle wells eliminate at least six long-term
26 idle wells each year; operators with 21 to 50, inclusive, idle wells
27 eliminate at least 12 long-term idle wells each year; operators with
28 51 to 100, inclusive, idle wells eliminate at least 30 long-term idle
29 wells each year; operators with 101 to 250, inclusive, idle wells
30 eliminate at least 60 long-term wells each year; and operators with
31 more than 250 idle wells eliminate at least 25 percent of their
32 long-term idle wells each year.

33 (v) An operator who fails to comply with the plan, as determined
34 by the supervisor after the annual performance review, is not
35 eligible to use the requirements of this paragraph, for purposes of
36 compliance with this section, for any of its idle wells. That operator
37 may not propose a new idle well plan for the next five years. An
38 operator may appeal to the director pursuant to Article 6
39 (commencing with Section 3350) regarding the supervisor's
40 rejection of a plan and plan amendments and the supervisor's

1 determination of the operator's failure to comply with a plan. If
2 the supervisor's determination that the operator failed to comply
3 with the plan is not timely appealed, or if the director upholds the
4 supervisor's determination upon appeal, then the operator shall
5 immediately file the fees required under paragraph (1) for each
6 year that the operator failed to comply with the plan.

7 (b) All fees received under this section shall be deposited in the
8 Hazardous and Idle-Deserted Well Abatement Fund, which is
9 hereby created in the State Treasury. Notwithstanding Section
10 13340 of the Government Code, the moneys in the Hazardous and
11 Idle-Deserted Well Abatement Fund are hereby continuously
12 appropriated to the department for expenditure without regard to
13 fiscal year, to mitigate a hazardous or potentially hazardous
14 condition, by well plugging and abandonment, decommissioning
15 the attendant production facilities, or both, at a well of an operator
16 subject to the requirements of this section.

17 (c) Failure to file, for any well, the fee required under this
18 section shall be conclusive evidence of desertion of the well,
19 permitting the supervisor to order the well abandoned.

20 (d) Nothing in this section prohibits a local agency from
21 collecting a fee for regulation of wells.

22 ~~(e) By June 1, 2018, the division shall review and evaluate, and~~
23 ~~update as appropriate, its regulations pertaining to idle wells. The~~
24 ~~update shall include idle well testing requirements and provide an~~
25 ~~option for temporary or partial well abandonment in lieu of testing~~
26 ~~at the discretion of the supervisor.~~

27 ~~(f)~~

28 (e) This section shall become operative on January 1, 2018.

29 SEC. 11. Section 3206.1 is added to the Public Resources Code,
30 to read:

31 3206.1. (a) By June 1, 2018, the division shall review, evaluate,
32 and update its regulations pertaining to idle wells. The update
33 shall include idle well testing requirements and provide an option
34 for temporary or partial well abandonment in lieu of testing at the
35 discretion of the supervisor.

36 (b) This section shall remain in effect only until January 1, 2020,
37 and as of that date is repealed, unless a later enacted statute, that
38 is enacted before January 1, 2020, deletes or extends that date.

1 ~~SEC. 11.~~

2 *SEC. 12.* Section 3207 of the Public Resources Code is
3 amended to read:

4 3207. (a) Any individual or blanket indemnity bond issued in
5 compliance with this chapter may be terminated and canceled and
6 the surety be relieved of all obligations thereunder when the well
7 or wells covered by such bond have been properly completed or
8 abandoned or another valid bond has been substituted therefor.
9 Should the person who has filed a blanket bond properly complete
10 or abandon a portion of his or her wells covered by the bond, the
11 bond may be terminated and canceled and the surety be relieved
12 of all obligations thereunder upon the filing by such person of an
13 individual bond for each well which is still not producing or which
14 he or she is still engaged in drilling, redrilling, deepening, or
15 permanently altering the casing. Liability as to individual wells
16 that have been completed or drilled and abandoned under a blanket
17 bond may also be terminated.

18 (b) This section shall remain in effect only until January 1, 2018,
19 and as of that date is repealed, unless a later enacted statute, that
20 is enacted before January 1, 2018, deletes or extends that date.

21 ~~SEC. 12.~~

22 *SEC. 13.* Section 3207 is added to the Public Resources Code,
23 to read:

24 3207. (a) Any individual or blanket indemnity bond issued in
25 compliance with this chapter may be terminated and canceled and
26 the surety relieved of all obligations thereunder when the well or
27 wells covered by such bond have been properly abandoned pursuant
28 to Section 3208, or another valid bond has been substituted
29 therefor. Should the person who has filed a blanket bond properly
30 abandon a portion of his or her wells covered by the bond, the
31 bond may be terminated and canceled and the surety relieved of
32 all obligations thereunder upon the filing by such person of an
33 individual bond for each well that is still not abandoned. Liability
34 as to individual wells that have been properly abandoned under a
35 blanket bond may also be terminated.

36 (b) This section shall become operative on January 1, 2018.

37 ~~SEC. 13.~~

38 *SEC. 14.* Section 3208 of the Public Resources Code is
39 amended to read:

1 3208. (a) For the purposes of Section 3207, a well is properly
2 completed when it has been shown, to the satisfaction of the
3 supervisor, that the manner of producing oil or gas or injecting
4 fluids into the well is satisfactory and that the well has maintained
5 production of oil or gas or injection for a continuous six-month
6 period. A well is properly abandoned when it has been shown, to
7 the satisfaction of the supervisor, that all proper steps have been
8 taken to isolate all oil-bearing or gas-bearing strata encountered
9 in the well, and to protect underground or surface water suitable
10 for irrigation or farm or domestic purposes from the infiltration or
11 addition of any detrimental substance and to prevent subsequent
12 damage to life, health, property, and other resources. For purposes
13 of this subdivision, proper steps include the plugging of the well,
14 decommissioning the attendant production facilities of the well,
15 or both, if determined necessary by the supervisor.

16 (b) This section shall remain in effect only until January 1, 2018,
17 and as of that date is repealed, unless a later enacted statute, that
18 is enacted before January 1, 2018, deletes or extends that date.

19 ~~SEC. 14.~~

20 *SEC. 15.* Section 3208 is added to the Public Resources Code,
21 to read:

22 3208. (a) For the purposes of Sections 3206 and 3207, a well
23 is properly abandoned when it has been shown, to the satisfaction
24 of the supervisor, that all proper steps have been taken to isolate
25 all oil-bearing or gas-bearing strata encountered in the well, and
26 to protect underground or surface water suitable for irrigation or
27 farm or domestic purposes from the infiltration or addition of any
28 detrimental substance and to prevent subsequent damage to life,
29 health, property, and other resources. For purposes of this
30 subdivision, proper steps include the plugging of the well,
31 decommissioning the attendant production facilities of the well,
32 or both, if determined necessary by the supervisor.

33 (b) This section shall become operative on January 1, 2018.

34 ~~SEC. 15.~~

35 *SEC. 16.* Section 3208.1 of the Public Resources Code is
36 amended to read:

37 3208.1. (a) To prevent, as far as possible, damage to life,
38 health, and property, the supervisor or district deputy may order,
39 or permit, the reabandonment of any previously abandoned well
40 if the supervisor or the district deputy has reason to question the

1 integrity of the previous abandonment, or if the well is not
2 accessible or visible.

3 (b) The operator responsible for plugging and abandoning
4 deserted wells under Section 3237 shall be responsible for the
5 reabandonment except in the following situations:

6 (1) The supervisor finds that the operator plugged and
7 abandoned the well in conformity with the requirements of this
8 division in effect at the time of the plugging and abandonment and
9 that the well in its current condition presents no immediate danger
10 to life, health, and property but requires additional work solely
11 because the owner of the property on which the well is located
12 proposes construction on the property that would prevent or impede
13 access to the well for purposes of remedying a currently perceived
14 future problem. In this situation, the owner of the property on
15 which the well is located shall obtain all rights necessary to
16 reabandon the well and be responsible for the reabandonment.

17 (2) The supervisor finds that the operator plugged and
18 abandoned the well in conformity with the requirements of this
19 division in effect at the time of the plugging and abandonment and
20 that construction over or near the well preventing or impeding
21 access to it was begun on or after January 1, 1988, and the property
22 owner, developer, or local agency permitting the construction
23 failed either to obtain an opinion from the supervisor or district
24 deputy as to whether the previously abandoned well is required to
25 be reabandoned or to follow the advice of the supervisor or district
26 deputy not to undertake the construction. In this situation, the
27 person or entity causing the construction over or near the well shall
28 be responsible for the reabandonment.

29 (3) The supervisor finds that the operator plugged and
30 abandoned the well in conformity with the requirements of this
31 division in effect at the time of the plugging and abandonment and
32 after that time someone other than the operator or an affiliate of
33 the operator disturbed the integrity of the abandonment in the
34 course of developing the property, and the supervisor is able to
35 determine based on credible evidence, including circumstantial
36 evidence, the party or parties responsible for disturbing the integrity
37 of the abandonment. In this situation, the party or parties
38 responsible for disturbing the integrity of the abandonment shall
39 be responsible for the reabandonment.

(c) For purposes of this section, being responsible for the reabandonment means that the responsible party or parties shall complete the reabandonment and be subject to the requirements of this chapter as an operator of the well. The responsible party or parties shall file with the supervisor the appropriate bond or security in an amount specified in Section 3204, 3205, or 3205.1. If the reabandonment is not completed, the supervisor may act under Section 3226 to complete the work.

(d) Except for the situations listed in paragraphs (1), (2), and (3) of subdivision (b), nothing in this section precludes the application of Article 4.2 (commencing with Section 3250) when its application would be appropriate.

~~SEC. 16.~~

SEC. 17. Section 3238 of the Public Resources Code is amended to read:

3238. (a) For oil and gas produced in this state from a well that qualifies under Section 3251 or that has been inactive for a period of at least the preceding five consecutive years, the rate of the charges imposed pursuant to Sections 3402 and 3403 shall be reduced to zero for a period of 10 years. The supervisor or district deputy shall not permit an operator to undertake any work on wells qualifying under Section 3251 unless the mineral rights owner consents, in writing, to the work plan.

(b) An operator who undertakes any work on a well qualifying under Section 3251 shall have up to 90 days from the date the operator receives written consent from the supervisor to evaluate the well. On or before the 90 day evaluation period ends, the operator shall file with the supervisor a bond or security in an amount specified in Section 3204, 3205, or 3205.1, in accordance with the requirements of whichever of those sections is applicable to the well, if the well operations are to continue for a period in excess of the 90-day evaluation period. The conditions of the bond shall be the same as the conditions stated in Section 3204.

(c) A party may plug and abandon a well that qualifies under Section 3251 by obtaining all necessary rights to the well. That party shall be subject to the requirements of this chapter as an operator of the well, file with the supervisor the appropriate bond or security in an amount specified in Section 3204, 3205, or 3205.1, and complete the abandonment. If the abandonment is not

1 completed, the supervisor may act under Section 3226 to complete
2 the work.

3 ~~SEC. 17.~~

4 *SEC. 18.* No reimbursement is required by this act pursuant to
5 Section 6 of Article XIII B of the California Constitution because
6 the only costs that may be incurred by a local agency or school
7 district will be incurred because this act creates a new crime or
8 infraction, eliminates a crime or infraction, or changes the penalty
9 for a crime or infraction, within the meaning of Section 17556 of
10 the Government Code, or changes the definition of a crime within
11 the meaning of Section 6 of Article XIII B of the California
12 Constitution.